



**Financial Oversight Committee Meeting  
Minutes**

**Friday, February 27, 2015**

**12:00 AM – 3:00 PM**

**Mental Health Services Oversight and Accountability Commission  
1325 J Street, 17<sup>th</sup> Floor, Suite 1700  
Darrell Steinberg Conference Room  
Sacramento, CA 95814**

**Committee Members:**

**Staff:**

**Other Attendees:**

John Boyd, Chair John Buck, Vice Chair Gordon Richardson Paul Stansbury* Lindsay Walter* Rusty Selix* Gwen Slattery* Debbie Innes-Gomberg*	Peter Best Kevin Hoffman Filomena Yeroshek Renay Bradley	Mike Geiss
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\*Participation by phone

Committee members absent: Stacie Hiramoto, Jane Adcock, Brian Hill

**Welcome:**

Chair Boyd opened the meeting and welcomed those present.

**Vote: Adoption of January 16, 2015 Meeting Minutes**

Meeting minutes were adopted from January 16, 2015 meeting.

Name	Yes	No	Abstain
John Boyd, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Buck, Vice Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paul Stansbury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lindsay Walter	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rusty Selix	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gwen Slattery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debbie Innes-Gomberg	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carol Hood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gordon Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

### **Presentation on the California Community Mental Health Funding**

Mike Geiss Consulting provided the Committee with a presentation on the California Community Mental Health funding history and process. Since 1989, Mike has been a consultant to the state, counties and the MHSOAC in the area of mental health services. Following is an overview of his presentation including public comment.

#### **Slide 1 Community Mental Health Services Funding**

- This chart displays fiscal year (FY) 2014/15 estimated community mental health funding.
- About one-third of funding comes from realignment, one-third from MHSA funds, and one-third from Federal Financial Participation (FFP), which is the Medi-Cal portion.

#### **Slide 2 1991 Realignment**

- The 1991 Realignment shifted funding and responsibility for mental health and social service programs.
- 1991 Realignment was funded by sales tax, vehicle license fees (VLF).
- The counties liked that funding was tied to sales tax, an increasing revenue source. This meant they would no longer have to battle the legislature to get funding.

#### **Slides 3-5 1991 Realignment continued...**

- When the fiscal crisis of 2011 hit, money was taken from 1991 Realignment to fund CalWorks Maintenance of Effort (MOE) from the state general fund.
- In exchange the state created a specific dedicated amount of funding to cover what was the 1991 Realignment (now the 2011 realignment).
- It was a revenue swap that provided a set minimum amount for mental health services.
- The 1991 Realignment was earning less than the minimum amount guaranteed by the swap for mental health services (MHS) so MHS was in a better fiscal position.
- 1991 Realignment account and swap account became equal in FY 13/14 so we are now seeing growth in 1991 Realignment account.
- What was the advantage from the state's perspective for the 2011 Realignment?
  - CalWorks could now be funded without using General Fund (GF) money.
  - 1% of existing state sales tax that went into state General Fund (GF) was used to fund the 2011 Realignment. This reduced the Proposition 98 school funding amount by taking an existing revenue source and making it a special revenue fund.
- A Committee member asked if there was any change in the nature of county services based on the 1991 Realignment.

- Mike Geiss responded that there were no changes to the nature of services. Counties had always been responsible. Prior to the 1991 Realignment, the GF paid counties for mental health services.
- The Chair asked what will happen with the additional growth in the 2011 Realignment account. Can the counties use it how they choose, in keeping with their legal obligations?
  - Mike Geiss responded that in keeping with 1991 Realignment, counties can use that money for all mental health services. They are also able to transfer up to 10% between mental health, social services, and public health if they go through a hearing.
  - If there is growth, they are obligated to spend it on mental health services. There is no time limit.
- Counties can expect to receive their base amount in a growing economy. The base amount is put into a growth account and increases the base for that year. It is then distributed to counties in the next year. It is difficult for counties to budget for that money in the year the sales tax was actually earned. But the positive is that you receive an allocation in November and your base is increased. When the growth comes in you can do mid-year budget adjustments. But the growth cannot be counted on. Counties should be conservative and budget on the base only.
- Increases in social services caseload costs is first priority for sales tax growth.

Slide 6 1991 Mental Health Realignment

- When there is a growth in base, this should translate into an increase in the base budget amount for the next year.
- None of this is driven by a demand in services, but rather a growth in sales tax and VLF revenue.
- This means the funding versus need can be counter-cyclical – when economy is doing well, revenue is good, but this may cause a lower demand in services.

Slides 7-8 2011 Realignment

- Shows revenue sources.
- Anticipating new growth in FY 2014/15 and 2015/16 that will increase funding if economy continues to improve.

Slide 9 Mental Health Services Act

- Is funded by a 1% personal income tax on millionaires.
- About 30,000 – 40,000 people fall into that category, which makes the revenue source very volatile.

Slide 10 Mental Health Services Act

- Cash payments to counties are the largest after quarterly personal income taxes are collected. Largest payments to counties go out in February, May, July, and October.

Slide 11 MHSA Estimated Revenues

- There is a two year lag on annual adjustments.
- These adjustments are very volatile.
- From FY 2012/13 to 2016/17 the adjustment is estimated to range between \$153.5 million and \$513 million.

Slide 12 MHSA Estimated Component Funding

- Shows estimated component funding between Community Services and Support (CSS), Prevention and Early Intervention (PEI), and Innovation.
- Note that these figures are less the 5% for administration.

Slides 13-14 Medi-Cal Specialty Mental Health Reimbursement

- Counties are reimbursed for a percentage of their actual expenditures through Medi-Cal. California is generally at 50%.
- Counties are reimbursed an interim amount for services throughout the year. Department of Health Care Services (DHCS) reconciles interim amounts to actual through year end cost report. DHCS audits cost reports to determine final Medi-Cal entitlement. The State is still settling FY 2009-10 and 2010-11.
- A Committee member asked why audits are so far behind. How do counties budget for disallowances from prior years?
  - Mike Geiss responded the delay is due to a cumbersome, claims based, cost settlement process.
  - Counties have a year from the date of services to submit a claim to Medi-Cal.
  - The system has many problems that the state is constantly trying to patch.
    - There are issues with the templates for cost reporting.
    - Health Insurance Portability and Accountability Act (HIPAA) compliance and changing state business processes created more challenges.
  - This revenue source is tied to need for service, but counties don't know what they are getting paid for until years later – it is a problem.
- Staff asked if any states are doing it better or differently.
  - Mike Geiss responded that California is probably the most convoluted state due to a claim processing system that requires vendor customization.
  - Other states probably are on a fee for service type of system but they receive set rates. If they set them at Medicare level, it is a lot less than what we receive. At least we are able to fully cover our costs.

Slides 14-15 Medi-Cal Specialty Mental Health Reimbursement

- There is a strain on the system because more people have signed up for Medi-Cal due to the mandatory expansion brought on by Affordable Care Act (ACA). Counties are required to provide service.
- There is additional funding through the ACA, which is reimbursed at 100% initially. It will be reduced to 90% with a 10% county match at a later time.
- A Committee member stated that they had individuals who would qualify for Medi-Cal one month, then drop off, then come back on. Does the ACA smooth that out?
  - Mike Geiss responded that before ACA you couldn't qualify on income alone. So it would smooth it out for those who qualified because of a particular condition.
  - It will not smooth it out for those who drop on and off due to income fluctuations.

Slide 16 Community Mental Health Services Funding

- Significant growth in mental health dollars is expected in coming years. Estimated at over \$6 billion for FY 2015/16.
- The Chair asked if this revenue source is stable or if it is funding an infrastructure that has been lacking for quite some time?
  - A Committee member responded that Los Angeles (L.A.) has tried to use unspent funds. They are trying to be aware of long term funding for programs so they don't start a program and then have to cut back or stop it completely.
  - L.A. has tried to embed MHSA throughout their whole system. Services today look much different than they did ten years ago. Services are more recovery focused.
  - L.A. is aware of the volatility of the MHSA funding and keep that in mind when planning.

General Questions/Comments on the Mental Health Funding Presentation

A Committee member stated that when MHSA first came about, planning and committees talked about the importance of not supplanting existing services. Where does that stand now?

- Mike Geiss stated that in FY 2003/04 there was \$3 billion in the system. We have seen significant growth in mental health funding. Large counties have more distinct MHSA type programs versus small counties that have integrated MHSA and all its principles associated with recovery. There is little defined in regulations about supplanting or what non-supplanting means.
- Mike recommends counties make their entire community based mental health system MHSA. Include stakeholder input so the entire mental health system is being discussed. Discuss the outcomes of the increased funding.

A Committee member asked what the estimate on unspent funds is.

- Mike Geiss responded that it will vary between counties.
- Mike recommends a prudent reserve of 50%, which allows counties to withstand dips in the funding without having to cut programs.
- Mike estimates \$750 million of unspent funds combined with Prudent Reserve.

#### Policy Issues

- Reversion funds not spent for authorized purposes within 3 years revert back to the MHSA Fund. It is not specified whether this is gross or net funds when taking into account FFP reimbursement.
  - Mike stated that gross is easier to track because a county can tell you how much they have spent on a program.
  - When tracking net funds, counties must wait to see what revenue has been received and there are a lot of issues around that.
- Develop an appeal process for audit findings.

#### **Review Financial Oversight Committee's 2015 Charter and Draft of Charter Activities Planning Document**

Committee Chair asked to review the charter.

- Reversion falls under Item #2 in the charter.
  - Staff suggested bringing in DHCS to see what is going on with reversion.
- Staff said that Item #1 also allows the committee to look at reversion.
- Vice-Chair wanted to make sure reviewing the Little Hoover Commission recommendations were included in the charter.
- MHSOAC chief counsel said she has advised all committees to keep the charter as it was written but committees can look at how they interpret the charter.
  - Staff suggested developing a recommendation paper and bringing it forward to the Commission as an option.
- A Committee member asked for clarification on the term reversion and liked the idea of a recommendation from an accounting perspective.
- The Chair reiterated that the charter language could not be changed but wanted all to understand the charter in the same way.

**Discussion: Develop Ideas for Possible Strengthening of MHSOAC Annual Revenue and Expenditure Reports (ARER)**

Dr. Bradley, Chief of Research and Evaluation, discussed how fiscal information is needed in order to understand how funds are spent and the performance of those funds in the area of research and evaluation.

- As of FY 2011/12 both contractors (hired by MHSOAC) and DHCS agreed based on ARERs and speaking with counties that there is about \$700 million in unspent funds sitting out there (this excludes prudent reserve funds).
  - What is the intent of these funds?
  - Could not tell if these were WET funds or not.
- Dr. Bradley met with DHCS to discuss strengthening the ARERs.
  - Maybe we shouldn't restrict ourselves to ARERs.
  - We need to focus on how funds are being spent and are we meeting outcome goals and objectives.
- How do we strengthen the ARERs outside of DHCS?
  - The state is moving toward a behavioral health data and reporting system – could this system include fiscal reporting?
  - Committee member mentioned it would be good to see consistencies across counties, so counties will all know what the state is requiring.
- A committee member asked how to measure the effectiveness of a funding source.
- Another member agreed that you need to look at measuring the program not the funding source.
- Dr. Bradley stated that there are federal models out there that measure the funding source and she is looking to those models for guidance.

**General Public Comment**

Staff read an email from Rusty Selix that stated the following:

- He would like to see the following financial data from counties located in the same place and searchable online: ARERs, 3 year spending plans and budgets, allocation details.
- He would like the MHSOAC to work to develop a way to send all county financial data to the state automatically.

**Adjournment**

Meeting adjourned.